


AR19

# Captain International Industries Ltd.



1972 Annual Report



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# Captain International Industries Ltd.

(and its subsidiaries)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>President, Chief Executive Officer, &amp; Director</i>
Rocco M. Yannarell, Jr.	<i>Vice President &amp; Director</i>
David M. McGaffin	<i>Corporate Controller</i>
Carol Brownie	<i>Secretary</i>
Alexander H. Lenec	<i>Director</i>
Harold Genser	<i>Director</i>
Raymond A. McLean	<i>Director</i>

## HEAD OFFICE

1250-505 Burrard Street  
Vancouver 1, B.C., Canada  
Telephone: (604) 682-6861

## REGISTERED OFFICE

1250 One Bentall Centre, 505 Burrard Street  
Vancouver 1, B.C., Canada.

## TRANSFER AGENTS AND REGISTRARS

Guaranty Trust Company of Canada  
540 Burrard Street, Vancouver, B.C., Canada

Registrar and Transfer Company  
15 Exchange Place, Jersey City, N.J., U.S.A.

## LISTED EXCHANGES

Vancouver Stock Exchange  
Vancouver, B.C., Canada

National Stock Exchange  
New York, New York, U.S.A.

## CAPTAIN INTERNATIONAL INDUSTRIES INC.

(a wholly owned subsidiary of  
Captain International Industries Ltd.)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>Chairman of the Board &amp; Director</i>
Rocco M. Yannarell Jr.	<i>President &amp; Director</i>
Alexander H. Lenec	<i>Director</i>
Harold Genser	<i>Director</i>
Raymond A. McLean	<i>Director</i>
Donald B. Zager	<i>Vice President, Marketing</i>
James R. Borgman	<i>Vice President, Operations</i>
David M. McGaffin	<i>Secretary</i>

## HEAD OFFICE AND MANUFACTURING PLANT

Montgomeryville Industrial Park  
Montgomeryville, Pennsylvania, 18936, U.S.A.  
Telephone: (215) 643-2660

## CAPTAIN INTERNATIONAL INDUSTRIES (U.K.) LTD.

(a wholly owned subsidiary of  
Captain International Industries Ltd.)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>Chairman of the Board &amp; Director</i>
Colin J. Harris	<i>Managing Director</i>
Rocco M. Yannarell, Jr.	<i>Director</i>

## HEAD OFFICE

Broadbent House  
64 - 65 Grosvenor Street  
London, W.1, England.  
Telephone: 01-439-5285

## CAPTAIN INTERNATIONAL INDUSTRIES B.V.

(a wholly owned subsidiary of  
Captain International Industries Ltd.)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>Chairman of the Board &amp; Director</i>
Rocco M. Yannarell, Jr.	<i>Director</i>
Alexander H. Lenec	<i>Director</i>
Harold Genser	<i>Director</i>
Raymond A. McLean	<i>Director</i>
R. Nuyen	<i>Managing Director</i>

## HEAD OFFICE

Kostverlorenhof 2 - 9th Floor  
Amstelveen, Netherlands  
Telephone: 020-456651



## REPORT TO SHAREHOLDERS

The past year, 1972, was a year in which we were laying the foundations for future growth of your Company.

Our production lines were operating at capacity and our backlog of orders at the end of the year was at a record high of \$7.5 million. However, construction delays of hotels and inns prevented deliveries and installations of our equipment and this resulted in a reduction of gross revenues to \$2,648,508 for the year. The delays in installations together with the costs incurred in the continuing development and introduction of our products, as well as the costs of establishing the backlog of orders for future delivery, combined to produce a loss for the year of \$1,657,508.

Our efforts in 1972 began to take effect in 1973 when our gross revenues for the first quarter totalled \$2,222,369 with an unaudited net profit of \$239,462.

In line with our long range plans for your Company, we are continuing our research and development program to perfect new and innovated products to satisfy the needs of hotels now being built or in the planning stages.

Our Rooms Management System, which we introduced late in 1971, has met with enthusiastic acceptance—ten have already been installed in the United States and Europe.

Our first FACS I System has been installed in the Key Bridge Marriott Hotel in Washington, D.C. and the second System is now being completed at our Montgomeryville plant for installation in the 600 room Kensington Hilton Hotel under construction in London, England.

Our Continental Breakfast Units have now been installed in the new Sheraton Heathrow Hotel in London, England, and the guest acceptance of this new product is most satisfying.

Our new Model 605 Captain Service Bar has now been installed in the 960 Room Carolando Hotel which recently opened at Disneyworld in Florida.

We have completed a prototype of an Advance Reservation System and we expect to introduce this new product to the hotel industry in the very near future.

In addition to the above, a number of other new or improved products are in the planning stages.

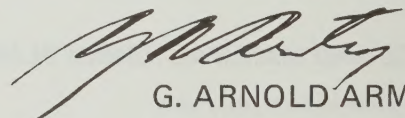
In the interests of increasing our efficiency, in April, 1973, we consolidated all manufacturing, sales and administrative staff of our United States subsidiary in a modern, one floor, 32,600 square foot building in the Montgomeryville Industrial Centre, Pennsylvania.

In Europe, again in the interests of increasing our efficiency and reducing costs, we intend to substantially consolidate our Amsterdam operations with our London operations, so that the European operations will be headquartered in London.

In order to strengthen our organization, several management changes have been made. Rex M. Yannarell, who was formerly Vice President, Marketing, of our United States subsidiary, was appointed Vice President of our Company and President of our United States subsidiary in December, 1972. Donald B. Zager, formerly Sales Manager, was appointed Vice President, Marketing and James R. Borgman, has joined our United States subsidiary as Vice President, Operations. In order to strengthen our accounting and financing department, David McGaffin has joined our Company as Corporate Controller.

This March, Captain International Industries Inc., obtained a revolving credit loan in the amount of \$1.25 million for working capital purposes, and a bridge financing loan of up to \$1.4 million for interim financing purposes, from The First Pennsylvania Bank. These loans provided the financing required to permit our Company to continue its programs on a satisfactory basis. In addition the Company has now realized \$315,000 from the proceeds of a private placement of 210,000 common shares.

The programs and changes as described above have, we believe, established a strong base for future growth. We have quality products, efficient manufacturing facilities, good financing and an excellent, dedicated staff. We also want to thank you, our shareholders, for your continuing support.



G. ARNOLD ARMSTRONG,  
President.





# Captain International Industries Ltd.

*(and its subsidiaries)*

## **Captain International's Products**

Captain International manufactures, installs and services specialized products which are used to automate hotel room service, housekeeping and bookkeeping procedures. The three main products are:

### **Bell Captain Service Center**

This is a specialized refrigerated vending device developed by Captain International. Various models range in size from compact machines which can be incorporated into hotel furniture to large free-standing units. They are designed to be installed in guest bedrooms as a room service feature. At the touch of a button, a guest may have a choice of alcoholic and soft drinks, snacks, even a continental breakfast, depending on the model installed. All purchases are automatically registered at the hotel or motel front desk for subsequent billing.

### **Rooms Management System**

This electronic system reports the status of each room to management by means of a display panel. Available continuously is such information as the number of rooms occupied, check-ins and check-outs, advance registrations, whether a room is cleaned, etc. Separate display panels for the housekeeper and floor supervisors can also be incorporated into the system.

### **FACS I**

Captain International's newest product is a highly sophisticated electronic system which is completely self-contained on the hotel's premises. No outside computers are needed. It provides automatic guest registration and an instantaneous printout, upon demand, of all charges of any guest—even those made in hotel shops or restaurants a moment earlier. The FACS I provides real time accounting to drastically simplify hotel record keeping.

## **Distribution**

Sales and manufacturing are centered with a wholly-owned United States subsidiary, Captain International Industries, Inc. The company's products are sold or leased directly, or through distributors or sales agents.

Sales in Europe are made through the company's wholly-owned subsidiaries, Captain International Industries B.V., a Netherlands corporation, and Captain International Industries (U.K.) Ltd., a United Kingdom corporation. A French sales subsidiary is in the process of being formed.

In addition to such subsidiaries, the company has five distributors and sales agents in the United States, three in Europe, one in Australia, one in Japan and one in Hong Kong.





# Captain International Industries Ltd.

(and its subsidiaries)

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972

### ASSETS (Substantially Pledged, see Notes 4, 5, 6 and 12)

	1972	1971
Current:		
Cash	\$ 104,308	\$ 10,420
Receivables		
Lease sale contracts receivable including instalments not due within one year aggregating \$1,597,332 in 1972 and \$1,230,874 in 1971 — Notes 1 and 5	2,114,044	1,829,708
Less: Unearned interest income	(331,123)	(275,701)
	1,782,921	1,554,007
Accounts and notes receivable	688,970	2,061,225
Less: Allowance for uncollectible accounts, notes and lease sale contracts receivable	(178,613)	(91,193)
	2,293,278	3,524,039
Inventories — Note 2	1,930,469	824,640
Prepaid expenses and deposits	9,476	10,233
	4,337,531	4,369,332
Equipment leased to customers, less accumulated depreciation of \$18,353 in 1972 and \$13,407 in 1971	13,364	23,449
Property and equipment — at cost, less accumulated depreciation — Note 3	194,333	128,287
Other:		
Patents — at cost, less accumulated amortization	64,625	67,054
Organization expenses, less accumulated amortization	8,542	14,002
Debenture discount and expenses	2,765	3,713
Research and development costs — Note 1	377,974	238,098
	\$ 4,999,134	\$ 4,843,935

### ON BEHALF OF THE BOARD:

"G.A. ARMSTRONG"      Director

"A.H. LENE"      Director



# Captain International Industries Ltd.

(and its subsidiaries)

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972

### LIABILITIES

	1972	1971
Current:		
Notes payable to bank — Notes 4 and 12	\$ 1,741,846	\$ 943,820
Accounts payable and accrued liabilities	1,604,832	1,013,974
Customer deposits	402,935	209,450
Warranty liability	117,319	68,422
Income taxes payable	—	8,370
Instalment obligations, including amounts repayable after one year of \$936,991 in 1972 and \$823,400 in 1971 — Notes 1 and 5	<u>1,250,114</u>	<u>1,089,367</u>
	5,117,046	3,333,403
Long-term debt — Note 6	199,975	200,936

### SHAREHOLDERS' EQUITY (DEFICIENCY IN ASSETS)

Share capital — Notes 1, 7 and 12:		
Common shares, without nominal or par value		
Authorized		
5,000,000 shares		
Issued and fully paid		
3,024,050 shares (2,984,050 shares in 1971)	3,636,404	3,606,404
Deficit — Statement II	<u>(3,954,291)</u>	<u>(2,296,808)</u>
	(317,887)	1,309,596
	<u>\$ 4,999,134</u>	<u>\$ 4,843,935</u>





# Captain International Industries Ltd.

(and its subsidiaries)

## CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Income — Note 1:		
Net sales	\$ 2,429,859	\$ 3,318,823
Interest	131,837	115,371
Rental	71,857	36,367
Franchise fee	—	12,000
Other income	14,955	1,402
	<u>2,648,508</u>	<u>3,483,963</u>
Cost and expenses — Note 1:		
Cost of sales	2,029,387	2,183,143
Selling	665,258	400,255
Customer service and warranty	249,388	92,724
Administrative and general	1,049,321	445,496
Interest	283,210	230,081
Research and development	37,670	38,220
	<u>4,314,234</u>	<u>3,389,919</u>
Income (loss) before income taxes and extraordinary items	(1,665,726)	94,044
Income taxes — Note 8	<u>8,243</u>	<u>(166,317)</u>
Loss before extraordinary items	(1,657,483)	(72,273)
Extraordinary items — Note 8	<u>—</u>	<u>156,141</u>
Net income (loss) for the year	<u>\$ (1,657,483)</u>	<u>\$ 83,868</u>
Income (loss) per share of common stock — Note 9		
Before extraordinary items	(\$ .55)	(\$ .02)
Extraordinary items	<u>—</u>	<u>.05</u>
Net income (loss)	<u>(\$ .55)</u>	<u>\$ .03</u>





# Captain International Industries Ltd.

(and its subsidiaries)

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Source of funds:		
Operations		
Loss before extraordinary items	\$ (1,657,483)	\$ (72,273)
Deduct: Items not requiring an outlay of funds		
Depreciation and amortization of property and equipment, and leased equipment	40,222	38,297
Amortization of patents, organization expense, and debenture discount	13,222	33,449
Amortization of research and development costs	25,403	—
Extraordinary items — Note 8	—	156,141
	(1,578,636)	155,614
Sales of shares	30,000	436,200
Issuance of debentures — net	—	123,436
Leased equipment sold or returned to inventory	5,139	168,023
Decrease in working capital	1,815,444	—
	<u>\$ 271,947</u>	<u>\$ 883,273</u>
Application of funds:		
Retirement of 9½% debentures	\$ —	\$ 422,500
Additions to (net)		
Property and equipment	101,322	44,460
Patents	4,385	9,103
Organization costs	—	2,210
Research and development costs	165,279	140,347
Other	961	—
Increase in working capital	—	264,653
	<u>\$ 271,947</u>	<u>\$ 883,273</u>
Increase (decrease) in working capital:		
Cash	\$ 93,888	\$ (116,310)
Receivables	(1,230,761)	1,862,974
Inventories	1,105,829	220,199
Prepaid expenses and deposits	(757)	5,535
Notes payable to bank	(798,026)	(892,744)
Accounts payable and accrued liabilities	(590,858)	(543,207)
Customer deposits	(193,485)	(84,269)
Warranty liability	(48,897)	(2,772)
Income taxes payable	8,370	(8,370)
Instalment obligations	(160,747)	(176,383)
Increase (decrease) in working capital	<u>\$ (1,815,444)</u>	<u>\$ 264,653</u>





# Captain International Industries Ltd.

(and its subsidiaries)

## CONSOLIDATED STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Deficit — January 1, as previously reported	\$ 2,296,808	\$ 2,279,239
Adjustment as a result of pooling — Note 1	—	101,437
Deficit — January 1, as restated	2,296,808	2,380,676
Net income (loss) for the year	(1,657,483)	83,868
Deficit — December 31	\$ 3,954,291	\$ 2,296,808

## AUDITORS' REPORT

The Shareholders  
Captain International Industries Ltd.

We have examined the consolidated balance sheet of Captain International Industries Ltd. and its subsidiaries as at December 31, 1972 and the consolidated statements of operations, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The accompanying financial statements have been prepared on the basis of the continuation of the company as a going concern. The company has sustained a loss from operations resulting in negative working capital and a deficiency in net assets. In addition sufficient information is not currently available to enable us to determine that all provisions of the March 2, 1973 loan agreements (see Note 12) have been or will be satisfactorily complied with.

The continued existence of the company as a going concern will depend upon its ability to operate profitably, to arrange additional needed financing and to maintain satisfactory arrangements with its creditors.

Because it is impossible to determine the future operational activity of the company and the effect of the material uncertainties referred to in the previous paragraph we are unable to and do not express an opinion on the consolidated financial statements for the year ended December 31, 1972.

Vancouver, B.C.,  
March 30, 1973.

TOUCHE ROSS & CO.,  
Chartered Accountants.





# Captain International Industries Ltd.

(and its subsidiaries)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1972

### Note 1 — Significant Accounting Policies

#### a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries Captain International Industries Inc., Captain International Industries (U.K.) Ltd. and Captain Hotel Systems N.V. Intercompany profits, transactions and balances have been eliminated.

During 1971 the company acquired the remaining 50% interest in Captain Hotel Systems N.V. for \$50,000 cash and by the issuance of 92,500 shares of the capital stock of the company. This acquisition has been accounted for as a pooling of interests.

The deficit figure at January 1, 1971 has been restated to reflect the pooling of interest accounting.

During 1971 the company incorporated as a wholly-owned subsidiary, Captain International Industries (U.K.) Ltd.

#### b) Accounting principles

(i) The companies have financed equipment leasing activities under various terms and instruments. All such transactions have been accounted for as borrowings which are to be liquidated by application of funds received from equipment leases. Revenues under non-cancellable leases with purchase options are accounted for as sales in the year in which the equipment is placed in service at the present value of the payments to be received under the lease and option. Leases which are terminable by the lessor and leases which do not include bargain purchase options are accounted for under the operating method whereby income is recognized over the term of each lease on a straight-line basis.

(ii) Lease sale contracts receivable due after one year, unearned interest income and related instalment obligations repayable after one year are classified as current assets and liabilities to include in the current position all items expected to be used or liquidated within the current operating cycle.

(iii) Research and development costs expended to develop new products and to improve existing products have been deferred for accounting purposes and will be amortized commencing upon completion of each program over a period not to exceed five years. Costs related to programs having no future utility are charged to operations.

(iv) The accounts of the subsidiary companies have been stated in Canadian dollars at the current rates of exchange, except that property and equipment, accumulated depreciation and intangible assets have been converted at approximate historical rates of exchange. Results of operations other than depreciation and amortization have been stated at average rates of exchange in effect during the year. The company recognizes translation gains and losses in operations in the year in which they occur.

(v) Inventories are priced at the lower of cost (first-in, first-out method) and market. Market is considered to be replacement cost or net realizable value.

(vi) Property and equipment is carried at cost and depreciated principally over the estimated useful life of the assets on a straight-line basis as follows:

Machinery and equipment	12 years
Furniture and fixtures	5-10 years
Tooling, dies and moulds	3 years
Leasehold improvements	life of lease
Equipment on lease to customers	5-8 years

Expenditures for maintenance and repairs and minor expenditures for renewals and betterments have been charged against earnings. The cost of assets sold or retired and the related amounts of depreciation have been eliminated from the accounts. The resulting gain or loss has been included in operations in the year of disposal.

### Note 2 — Inventories, consisting of

	1972	1971
Finished goods	\$ 234,656	\$ 124,718
Work in progress	1,143,533	457,198
Raw materials	552,280	242,724
	<u>\$1,930,469</u>	<u>\$ 824,640</u>

### Note 3 — Property and Equipment

Consolidated depreciation expense totalled \$35,276 for 1972 (1971 — \$24,890). Details of property and equipment are as follows:

	1972	1971
Machinery and equipment	\$ 95,443	\$ 80,659
Furniture and fixtures	102,424	61,373
Tooling, dies and moulds	88,091	46,386
Leasehold improvements	17,342	17,834
	<u>303,300</u>	<u>206,252</u>
Less: Accumulated depreciation	108,967	77,965
	<u>\$ 194,333</u>	<u>\$ 128,287</u>

Depreciation on equipment leased to customers amounted to \$4,946 for 1972 (1971 — \$13,407).

### Note 4 — Notes payable to Banks

Bank borrowings include \$1,248,293 which was due on December 31, 1972 with interest at 3½% in excess of prime rate plus a fee of ¼% of gross sales of the U.S. subsidiary. This debt was negotiated under agreement dated March 2, 1973. For information on the security for, and restrictions and terms imposed by, this agreement and bank borrowing subsequent to December 31, 1972, refer to Subsequent Events, Note 12.

The balance of the bank borrowings of \$493,553 is payable on demand and carries interest at 10-12%.

Receivables not otherwise pledged and inventories are pledged as collateral for these bank loans.

### Note 5 — Instalment Obligations

Lease-sale contracts receivable, equipment leased to customers and certain trade accounts receivable are pledged as collateral for instalment obligations. The instalment obligations bear interest at rates ranging from 7.5% to 13%.



## Note 6 – Long-term Debt – \$199,975

### a) Sinking fund debentures – \$77,500.

The \$500,000 9½% debentures issued in 1970 to mature November 30, 1975 are collateralized by a first floating charge on the assets of the company. During 1971 \$422,500 was repaid. In connection with the debenture issue, there are outstanding warrants to purchase 24,000 shares at \$3.25 per share subject to possible antidilution adjustments. The warrants expire November 30, 1975. Under the terms of the deed of trust (a) the company is required to establish a sinking fund and deposit with the trustee the sum of \$166,666 on November 30 in each of the years 1973 to 1975 inclusive, and (b) there are restrictions on the payment of dividends. It is the intention of the company on or before November 30, 1973, if its financial circumstances permit, to redeem the outstanding debentures in which event the sinking fund payments would no longer be required.

### b) Debentures – \$122,475

These debentures issued by U.K. subsidiary in 1971, repayable December 7, 1976, but not before, at interest 2% above the rate for 6 months Euro-dollar deposits in London, are secured by a general floating charge on the U.K. subsidiary assets and a fixed charge on certain lease agreements receivable.

## Note 7 – Share Capital

During the period the company has issued shares as follows:

	Shares	Amount
Shares issued at December 31, 1971	2,984,050	\$3,606,404
Options exercised for cash	40,000	30,000
Shares issued at December 31, 1972	3,024,050	\$3,636,404

As at December 31, 1972, 121,000 shares were reserved for the exercise of share purchase warrants, 97,000 shares at \$8.12 per share (\$8.45 per share adjusted for dilution) expiring July 8, 1973, and 24,000 shares at \$3.25 per share expiring November 30, 1975. The exercise price of the 97,000 warrants expiring July 8, 1973 is subject to adjustment for anti-dilution in certain events.

For details of warrants to be issued refer to Subsequent Events in Note 12.

As at December 31, 1971, 143,600 shares were reserved for options granted to employees of the company.

During 1972 the outstanding options for 40,000 shares granted in 1967 at \$0.75 per share to two key employees were exercised. One of these two individuals is no longer in the employment of the company and under the terms of the options the outstanding option for 15,000 shares at \$2.75 per share exercisable to January 31, 1975 has been cancelled. Options for 38,800 shares have expired or been cancelled as a result of employee terminations.

As at December 31, 1972, 49,800 shares are reserved for options granted to employees of the company under the following terms:

The remaining key employee referred to above has options granted in 1970 for a total of 15,000 shares at \$2.75 per share exercisable to January, 1975 on a cumulative basis at the rate of 5,000 shares per year.

Other employees have options for 34,800 shares on the following terms:

Expires	Quantity	Option Price	Exercise terms
July 15, 1974	5,000	\$5.40	1,000 shares per year on a cumulative basis
January 23, 1975	7,000	4.00	1,400 shares per year on a cumulative basis
October 1, 1973	10,000	7.00	10,000 shares by October 1, 1973
October 1, 1974	10,000	7.00	5,000 shares per year on a non-cumulative basis
October 1, 1976	2,800	7.00	700 shares per year on a non-cumulative basis

Options for 42,000 shares may be exercised during 1973.

## Note 8 – Income Taxes

At December 31, 1972 the company has loss carry forwards of approximately \$3,500,000 available as offsets against taxable income in the future. If not used approximately \$700,000 of these carry forwards will expire in 1973 and the balance will expire during the years 1974 to 1977. Captain International Industries Ltd. and each of its subsidiaries file individual tax returns in the country in which they are incorporated. Captain International Industries Ltd. and Captain Hotel Systems N.V. had income for the year ended December 31, 1971 which resulted in an income tax expense of \$166,317. As a result of these two companies using prior available operating loss carry forwards, income tax savings of \$156,141 in 1971 was reflected as extraordinary income.

## Note 9 – (Loss) Income per Common Share

Basic (loss) income per share has been calculated using the weighted average of common shares outstanding during the year.

If all the stock warrants and options outstanding at December 31, 1972 had been converted as at January 1, 1972 and the proceeds, applying an appropriate rate of return, were taken into income, no dilution would result.

## Note 10 – Commitments

### a) Lease commitments

The companies lease manufacturing and office space at annual rentals of approximately \$84,000 a year, plus taxes, insurance and maintenance and repairs, under leases expiring at varying times to 1977. The company had the option of purchasing a plant facility in 1973 for a consideration of \$210,000. This option expired subsequent to December 31, 1972.

### b) Employment contracts

The company and its United States subsidiary entered into a contract commencing February 1, 1970 with the President of the subsidiary. The contract extends for five years and provides for stock options (as set out in Note 7) salaries and commissions.

During the year, the company paid remuneration of \$21,000 to the Directors.

## Note 11 – Litigation

The company's U.S. subsidiary has seized equipment previously in possession of a distributor, by applying legal process in an action it has initiated against the distributor in connection with an alleged breach of the distributorship agreement. The distributor has filed a counter-claim for lost income and damages totalling \$966,000. The eventual outcome is unknown.

In the opinion of counsel of the subsidiary, the various claims and demands of the distributor are either of no merit or of doubtful merit, and even if the distributor should be successful in establishing such claims and demands it would be unable to establish entitlement to more than a small portion of the damages claimed.

## Note 12 – Subsequent Events

On March 2, 1973 the company entered into a new arrangement with a United States bank which provides for the following:

a) A revolving credit loan agreement for a maximum of \$1,250,000 or a lesser amount determined on a formula based on eligible receivables and inventories. The loans under this agreement are due June 30, 1974 with interest at 3½% above the bank's prime commercial rate of interest as defined in the agreement, plus a fee of ¼% of gross sales of the U.S. subsidiary. Substantially all the assets of the company not otherwise pledged will be collateral for the loans under this agreement, and in addition the agreement requires the assignment of all capital stock of the subsidiaries.

The agreement includes (among others) restrictive provisions relating to changes in capital structure, payment of dividends, other borrowings, loans and guarantees by the company, disposal of assets, additions to fixed assets, level of management remuneration and maintenance of net working capital and net worth. The agreement requires that on or before April 17, 1973 the company provide other agreements, certificates, resolutions and opinions to complete the documentation for the agreement. The company is to create and issue stock purchase warrants entitling the bank to purchase 75,000 common shares at \$2.75 per share up to March 1, 1978 and received \$5,000 payment for the warrants.

b) A Bridge financing agreement for \$1,400,000 subsequently reduced to \$900,000 or a lesser amount determined based on costs on certain sales under existing contracts. The loans under this agreement become due July 31, 1973, subject to an extension up to ninety days in certain circumstances, with interest at 3½% above the bank's prime commercial rate of interest.

On March 30, 1973 the borrowings under these agreements totalled approximately \$2,100,000.





# Captain International Industries Ltd.

*(and its subsidiaries)*

## WHERE TO MEET YOUR "BELL CAPTAIN"

### UNITED STATES

#### CALIFORNIA

Del Monte Inn, Monterey  
Rodeway Inn, San Francisco

#### DISTRICT OF COLUMBIA

Georgetown Manor, Washington

#### FLORIDA

Causeway Inn, Tampa  
Carolando Motor Inn, Orlando  
Dupont Plaza, Miami  
Dutch Inn, Lakeland  
Howard Johnson's Motor Lodge, Punta Gorda  
Howard Johnson's North Miami  
International Inn, Tampa  
Latham Inn, Orlando  
Laquinta Hotel, Orlando  
Quality Court West, Orlando  
Ramada Inn South, Orlando  
Holiday Inn, Lake Placid  
Dutch Inn Disneyworld, Orlando  
Sheraton Jetport, Orlando  
Gold Key Inn, Orlando  
Villa Sheraton, Fort Myers  
Hilton Inn West, Orlando

#### GEORGIA

Marriott Atlanta  
White House Inn, Atlanta

#### HAWAII

Cinerama Coral Reef, Honolulu  
Downtowner Waikiki, Honolulu  
Travelodge Ala Moana, Honolulu  
Travelodge Hilo, Hilo  
Hawaiian Regent Hotel, Honolulu

#### ILLINOIS

Chicago Marriott

#### IOWA

Howard Johnson's, Cedar Rapids

#### LOUISIANA

Downtowner Du Vieux Carre, New Orleans  
New Orleans Marriott, New Orleans

#### MARYLAND

Hilltop Motor Inn, Baltimore  
Prince George Inn, Hillcrest Heights

#### MINNESOTA

North Star Inn, Minneapolis

#### MISSOURI

Chase Park Plaza, St. Louis  
St. Louis Marriott, St. Louis

#### NEVADA

Cal-Neva Lodge, Lake Tahoe  
Downtowner Motor Inn, Carson City  
Harrah's, Lake Tahoe

#### NEW JERSEY

Travelodge Franklin Mall, Somerset  
Union Motor Lodge, Union  
Clinton Inn Motor Hotel, Tenafly

#### NEW YORK

Camelot Inn, Poughkeepsie  
Cornell School of Hotel Administration, Ithaca

#### NORTH CAROLINA

Dutch Inn, Hendersonville

#### OHIO

Avalon Inn, Warren

#### OREGON

Rodeway Inn, Portland  
Kah-Nee-Ta Lodge, Warm Springs

#### PENNSYLVANIA

Bristol Motor Inn, Bristol  
Hilton Inn of Scranton, Scranton  
Hotel Bethlehem, Bethlehem  
Martinque, Philadelphia  
Latham Hotel, Philadelphia  
Walber's-on-the-Delaware, Essington  
Philadelphia Marriott, Philadelphia  
Stouffer's Inn, Valley Forge

#### SOUTH CAROLINA

Hilton Head Inn, Hilton Head Island  
Heart of Charleston, Charleston  
King Charles, Charleston

#### TENNESSEE

King of the Road Hotel, Nashville  
Tennessee Motor Lodge, Kingsport  
Choo Choo Hilton, Chattanooga

#### VIRGINIA

Dutch Inn, Collinsville  
Sunburst Motor Lodge, Danville

#### WISCONSIN

Chanticleer Inn, Eagle River  
Chula Vista, Wisconsin Dells  
Dartmoor Inn, Fond du Lac  
Downtown Motor Inn, Rhineland  
Executive Inn, Sheboygan  
Howard Johnson's Motor Lodge, Oshkosh  
Pioneer Inn, Oshkosh  
Safari Hotel, Milwaukee





# Captain International Industries Ltd.

(and its subsidiaries)

## PUERTO RICO

La Concha Hotel, San Juan  
Condada "55", San Juan  
El Hato Rey Hotel, Hato Rey  
Caribe Hilton, San Juan  
Mayaquez Hilton, Mayaquez  
Regency Hotel, San Juan  
Hotel Pierre, Santurce  
San Jeronimo Hotel, San Juan

## CANADA

Skyline Hotel, St. John's, Nfld.

## CARIBBEAN

Curacao Hilton, Netherlands Antilles  
Trinidad Hilton, Port of Spain  
Virgin Isle Hilton, St. Thomas  
Intercontinental Hotel, Netherlands Antilles

## MEXICO

Bahia Del Rincon, Baja, Mexico

## UNITED KINGDOM AND EIRE

Grosvenor House Hotel, Sheffield, England  
Esso Motor Hotel, Edinburgh, Scotland  
Esso Motor Hotel, Maidenhead, England  
Warren Lodge Hotel, Shepperton, England  
Intercontinental Portman Hotel, London, England  
Lex Heathrow, London, England  
Tara Hotel, London, England  
Sheraton Heathrow, London, England

## UNDER CONSTRUCTION

## UNITED STATES

### FLORIDA

Orange Blossom Trail, Orlando

### HAWAII

Kona Lagoon, Hawaii

### ILLINOIS

Round Table Motor Lodge, Collinsville  
Westbury, Chicago

### INDIANA

Skyway Motor Lodge, Evansville

### NEW JERSEY

Ramada Inn, Mount Vale

### PENNSYLVANIA

Sheraton Airport, Philadelphia

### VIRGINIA

Stouffers Inn, Arlington

## PUERTO RICO

Hyatt Hotel, San Juan

## EUROPE

Esso Motor Inn, Amsterdam, Netherlands  
Lendi Hotel, Brussels, Belgium  
Zurich Hilton, Switzerland  
Howard Johnson's, Amsterdam, Netherlands  
Mainz Hilton, Mainz, Germany  
Okura Hotel, Amsterdam, Netherlands  
Promenade Hotel, The Hague, Netherlands  
Rijn Hotel, Amsterdam, Netherlands  
Rotterdam Hilton, Netherlands  
Schipol Frommer Hotel, Amsterdam, Netherlands  
Amsterdam Hilton, Amsterdam, Netherlands  
Hotel D'Isly, Paris, France  
Pl. M. St. Jacques, Paris, France  
Novatel, Paris, France  
Meridian Hotel, Paris, France  
Club Mediterranee, Paris, France  
Sofitel Hotel, Toulouse, France  
Hotel Nova Park, Zurich, Switzerland  
Hotel Mediterranee, Geneva, Switzerland  
Apollo Hotel, Toulouse, France  
Hotel Steirehuf, Graz, Switzerland  
Le Choisseul, Paris, France  
Orly Hilton, Paris, France  
Munich Hilton, Munich, Germany  
Caransa Hotel, Amsterdam, Netherlands

## FAR EAST

Hyatt Singapore Hotel, Republic of Singapore  
Hong Kong Hyatt, Kowloon  
Guam Hilton, Agana, Guam  
Excelsior Hotel, Hong Kong  
Kuala Lumpur Hilton, Kuala Lumpur, Malaysia

## AUSTRALIA

Boulevard Hotel, Sydney

## UNITED KINGDOM

Penta Hotel, London, England  
Kensington Hilton, London, England

## EUROPE

Penta Copenhagen, Denmark  
Penta, Munich, Germany  
Penta Paris, France  
Las Palmeras, Malaga, Spain  
Sonesta Hotel, Amsterdam, Netherlands  
Kings Hotel, Brussels, Belgium

## FAR EAST

Sheraton, Hong Kong  
Kuala Lumpur Regent, Kuala Lumpur, Malaysia

## AUSTRALIA

Sydney Hilton, Sydney  
Melbourne Hilton, Melbourne

## CANADA

7 Islands, Province of Quebec





